Nothing in the City's History Like the Present Realty Market

For the First Time All Living and Business Space Is Well Rented and Paying Good Return

A boom is an artificial, or fabricated, excitement or enthusiasm, according to the dictionary. This definition may be applied correctly to a number of previous real estate movements, particularly the last one and that of the late '60s. The present excitement in the real estate market cannot be attributed to artificial or fabricated conditions. It is not a buying movement based on new transit possibilities or great public improvements, but on the unquestionable law of economics which is in evidence to a greater degree in the impending real estate activity than in any other that New York real estate ever has seen.

"It is the soundest market that I ever have known," said a real estate leader yesterday, when asked how the current extensive trading compared with that developed in 1904 and continued for three years, ending in the panic of 1907. "The trading is based on the soundest foundation that could be desired, a foundation not anticipated, but already here."

It is perhaps the first time in the real estate history of New York that economics have been such a dominating factor. It is indeed the first time that a movement has started with such strong basic conditions.

New York is wofully underbuilt. Its population is steadily on the increase. The country is rich, and particularly in this true of New York. Labor wage is high; property values are comparatively low; transit is the best. The city is a great port and will be greater with the completion of plans under consideration. It is the land of possibility for the genius of the world, and living and business conditions are ideal.

Basis of Activity

These are some of the factors which are supporting this impending movement in real estate, which, according to signs and promises, will be the greatest in the history of this city, which, after all, is a boom town, since it has developed in leaps and bounds on just such tides as are now coming in.

There has been a lot of trading since the first of the year. Millions and millions of dollars' worth of property has been purchased and resold. Operations of some of the men in the market have totalled $10,000,000 to $15,000,000 in the last few months. Never have there been such individual operations in so short a period, but this is looked upon as only the beginning of the boom. The tide has just started to come in, literally speaking, and it may be some time before the flood will be seen. The great wave of trading is expected to go on for at least five years, according to some of the best known real estate men, and many think that there will be no recession in activity noticed in the real estate world for another ten years.

In no way is the present movement similar to the last one, or those which preceded it. Men who operated during the last boom say that there was no foundation for it at all except transit and easy money. The importance of the new transit was exaggerated. It was a natural mistake, however, because the subway was the first real transit development New York City had for many years. It led into new country, which was brought closer to the business districts of the city. If money had not been plentiful it is not likely that builders would have been able to capitalize the new transit routes.

Funds for Speculation

We had been in a war. Money was spent freely during the short period of warfare with Spain. It had the effect of broadening the views and the business activities of the country. Victory, too, was intoxicating, and after peace a wonderful era of prosperity set in, which had the effect of imbedding the desire for speculation in the minds of the people. Money became plentiful and was placed in the hands of leaders for investment in promising ventures. A lot of this money came into real estate channels, with the great transit system working its way into sections where land values were only a fraction of those a few minutes' ride nearer downtown New York. Builders had no trouble in securing money to carry on one of the greatest building campaigns ever launched.

North of 110th Street was virtually a boom town. Builders "carried on" beyond Harlem into the Washington Heights and the Dyckman sections. Houses were erected by the hundreds. It was estimated at the time that a house was started every hour during the day.

This continued without any check for about three years. The wild construction was not only characteristic of districts in the north end of the city. The midtown loft building zone was developed during this period, and after that was completed a new loft section was started north of Thirty-fourth Street and west of Fifth Avenue, where the big department store owners expressed a desire to establish. Builders in those days were able to borrow and then sell the property at a profit. It was a condition which encouraged construction, a condition which is responsible for one of the factors on which the present movement is based.

Easy Money for Builders

Money was so easy then that a builder could secure from a title company, a life insurance company, or an individual $3,000 to $3,500 a front foot on a loft building which he was putting up at a cost of about $2,250 a front foot. The same conditions prevailed in the apartment house section. A builder could get a loan for several hundred dollars a front foot, but he asked and obtained frequently a building and permanent loan of nearly twice that much. This was not good business, but excitement had taken hold of the market and there was no conservatism to check it. The conservative soon learned that unless he followed the crowd he would not share in the profit, and so the market was soon a fabricated excitement which carried construction and values beyond the danger limit.

One day in June, 1907, some one saw the end of the course of the real estate market and suddenly as a light being flash the flow of money into the real estate market stopped. Builders were denied support. There was no money to loan on real estate and the great boom was hit a staggering blow. It was the beginning of the end of perhaps the most unjustified boom in the history of New York. The following year the entire country was plunged into a panic and real estate values which were not based on a foundation economically sound, just dropped and dropped until a justifiable level was reached.

The city was overbuilt. Construction had been too far flung and extensive. New buildings could not be left without tenants, so overtures were made to owners in the older sections of the city. Lower rentals, gifts of coal, moving expenses and many other concessions were made that the oversupply of housing in the new sections might be filled and some income derived.

Property Values Lowered

This, again, was wrong economically, because it threatened, and, in fact, destroyed, the rental standards of the entire city. Concession had to be met with concession. The old districts had to compete with the new ones, that their values might not be destroyed. Usually the older houses lost out. The housing supply was so great that a decided stand was taken against construction, and it was several years before the city was to enjoy any activity in new building, and then it was only a certain class of construction when the world war came.

In the mean time conditions had improved. The oversupply was reduced by the natural increase of population and immigration from other parts. The financial interests were about ready to lift the gates to their treasuries when the war came and action was deferred to await developments.

The old boom was not a sound one. It was entirely wrong and many men who supported it will censure themselves for lack of discretion during that period. It was the greatest and greatest burst of enthusiasm known to real estate.

There was a boom in the early nineties and there was another after the Civil War. It is a coincidence that wars produce real estate booms. The boom that followed peace between the North and the South was purely a land speculation, built up on projected transit developments and large public undertakings.

Booms of Other Times

It was during the three or four years starting about 1868 that the development of the central east and west sides was undertaken. The boom was more pronounced on the West Side than on the East Side. Broadway north of Fifty-ninth Street was to be made the great boulevard of the city. It was the expectation that the rich of New York would build homes there. Then the West Side elevated structure was a possibility and Central Park was being laid out. Prices for lots were speculative. It was to give employment to soldiers and that they could work back into the commercial life of the country.

Properties changed hands as often as in the buying to-day. Values, too, were run up to a very high level. For instance the corner of the Boulevard and Sixty-sixth Street sold for $50,000. Another corner on the Boulevard was sold six months ago for a smaller price. Buyers in those days were the rich—the New Yorkers to buy a bit of this precious boulevard and land so close to the new Central Park. Nothing in those days would not help lift values to unprecedented levels, the theory being that it would be the aim of the rich and the socially prominent to be close to the Boulevard and the new park.

End of the Boom

Money was greatly inflated in those days. This, of course, was reflected in the prices paid for property in this boom. Our currency was placed on a gold basis the investment quality of boom prices suffered. History shows that the bubble burst in a few years; prices receded and continued to recede for a number of years. Many well known people—investors, real estate brokers and speculators—went down with the boom. Some of them have never recovered from the wild land speculation which possessed the people of those days. It was not until twenty years later that values approximating those of the boom were reached. During those years the development of the West Side was orderly and sound. Every rise in values was substantial. But it took more than twenty years to substantiate the prices which prevailed during the period of fabricated excitement or enthusiasm.

All the way down through history it will be found that booms have been based on anticipated factors, such as transit or public improvements, but never on conditions such as are prompting the present activity. The buying to-day is based on the law of supply and demand. Business premises, as well as residential space, are far below the requirements of the city. Except after the great fire in the early history of New York, when in one instance more than three hundred buildings were destroyed, there never has been a time when the supply was not just a little ahead of the demand.

Features Lacking Such as Made Booms of the Past Possible—Ten Years of Great Activity Expected

The estimate has been made by the Tenement House Department that some thousand families are in urgent need of homes. Many folks are of the opinion that the city's figures represent a conservative estimate of the housing shortage and that the number of families for whom there are no homes is much greater than this estimate. This alone is sufficient for a real estate movement of great magnitude. The shortage has had the effect of establishing higher rentals and fee values, but of bringing the income from every property in the city to a substantial basis.

When before could $30 a room be asked and obtained in Brooklyn? When was $12 a room the price for the average run of suites on the Heights and in The Bronx, with rentals not gradual, but steeply upward for better houses?

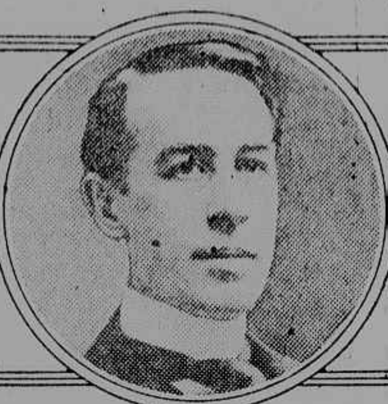
Incomes have increased in many cases 100 per cent. Unlimited activity in real estate is irresistible under such conditions, especially when five years have not moved up as rapidly as rentals. One cannot search for supporting a market based as substantially as this.

High construction cost supports the trading in rentals, because it will be years before builders will have erected apartments or business structures in sufficient numbers to affect rentals. It is a question if, with the supply approximating the demand, rentals will come down, because new properties cannot be produced at previous prices, and the claim is made that building costs never will be as low as before the war. This is a factor which has not figured in other booms.

The economic change which the world war has worked throughout the universe will not allow lower rentals. Labor will not work for lower wages, because it expects to pay higher rentals and higher prices for the commodities of life.

The general trend is in support of the boom. Money is easier. Operators say that this will lift the value of property. Brokers are now receiving calls from lawyers and estate representing them to find mortgages that they may buy. This encourages activity, and the effect of this support will be an increase in the volume of trading. The opinion of real estate men is that a period of unequal prosperity in real estate is here to stay. That it will be an epoch in history, because of the excitement it will produce. The belief is that it will be a long market, because of the foundation on which it is built.

Men of Wide Experience Guiding Realty Movement

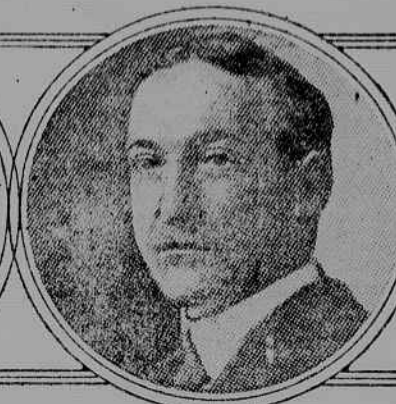


ROBERT E. DOWLING

FRANKLIN PETTIT

...BIGGEST BUYER OF THEM ALL...

MAX NATANSON



LEO S. BING

Fight on New Commission Schedule Threatened For Time to Disrupt Real Estate Board

All is quiet now at 217 Broadway, the headquarters of the Real Estate Board of New York. Up to last Thursday afternoon, when a committee of thirteen active and associated members met, it looked as if the old organization would be wrecked, for brokers were arrayed against owners in a battle over the rate of commission that would be paid for the service which the active member gave to the associate member. Never in the history of the real estate organization has there been a more critical period. The storm has passed over—temporarily at least—for the brokers have submitted to the owners, and from now on the old rates for the renting of apartment property will prevail.

Last October the Real Estate Board of New York voted unanimously for a higher rate of commission for the sale and renting of property. For three years the brokers have been agitating a higher rate. The title companies have increased the cost of service which they render, and in every way the cost of doing business has gone up. Brokers asked for more commission, and after many meetings, which, of course, were not without dissension, the board voted that the rates should be moved up to 3½ per cent on rentals of two and one-half years or less and 1½ per cent on rentals of more than two and one-half years. Immediately owners of apartment houses, members of the Real Estate Board, who should be controlled by the vote of the entire body, announced that they would not pay the higher commissions and would install renting staffs of their own rather than pay commissions of 1¾ per cent above what they paid before the vote.

Threaten to Leave Board

A number of real estate brokers who operate in apartment house sections made similar announcements, since they were aware of the opposition of the apartment owners to the higher rates. They told their fellow members that they would have to quit the board or else not abide by the new rates unless some modifications were made for their benefit.

But the board had decided that owners should pay more for the services of brokers, and there the matter stood until last January, when a number of brokers in apartment house sections appeared before the board of governors and demanded that the rates be modified if the board desired them to remain. The governors were told that a large number of associate members, which is the membership extended to property owners, would leave the Real Estate Board unless action was taken favorable to their interest.

The governors then passed a resolution authorizing President Stephen Byng to appoint a committee of at least ten members composed equally of brokers and owners to consider the rules in relation to the commissions on leases and sales and to report to the board if it thought any change should be made.

Committee Appointed

Alfred E. Marling was selected chairman of the committee on which J. E. R. Carpenter, E. P. Blake, Douglas L. Elliman, Ranald H. MacDonald, Walter Stabler, N. A. Berwin, Albert B. Ashforth, Robert E. Dowling, Franklin Pettit, William Cruikshank, A. W. Francis and Edwin De Witt were asked to serve.

The committee met on Thursday afternoon last with full power to reconsider the entire question of commissions, but only the commission charged for service to apartment house owners was taken up and the committee decided that the rate should be reduced to the old level, even though the owners of apartment houses are financially better able to pay the higher rates today than ever before. The rates now stand at 2½ per cent for two and a half years or less and 1 per cent on the total of rental for a longer period.

The decision brushed aside the storm which threatened to disrupt this old organization, perhaps the greatest booster New York City has. Property owners invited into the brokers' organization two years ago, that the board might have greater scope and command more attention, forced their wishes on the brokers.

More Trouble Ahead

Real estate men seen yesterday expressed themselves freely and in no complimentary terms regarding the action of the governors in permitting a reconsideration of a matter so soon after the board had expressed itself. "Our defence has been pierced," said one broker, "and we must now be prepared to allow other concessions. How can we demand from one owner that which we do not demand from another? On what ground can the broker explain to the owner of a business building the higher rate charged him than the apartment house owner? There is more work renting business space than residential premises, but the loophole has been made, and there is no telling but that the entire scale of commissions will be forced down to the old levels because of the stand taken by a group of apartment house owners and brokers."

For the time being the trouble which promised the destruction of the board and the prevention of its membership to a part of the present number is over. There is going to be more trouble sooner or later if a similar instance, because it was pointed out yesterday that business property owners will not pay more than apartment owners.

HENRY MORGENTHAU LATE ALLEN L. MORDECAI

Long Delayed Relief From Unjust Tax Burden Now Promised Real Estate by State Legislature

By John L. Parish
Secretary of New York Board of Title Underwriters

There were put into the hoppers of the Senate and Assembly at Albany last Friday the bills which Senator Frederick M. Davenport's committee had finally determined upon for the reform of the tax systems, state and municipal, and for the raising of the revenue needed to pay the state's way for another year.

The bills have not yet been printed but may be made available for examination by Tuesday or Wednesday next. Senator Davenport has, however, issued a preliminary statement from which it appears that he had followed closely the recommendations of the Advisory Council of Real Estate Interests, the National Tax Reform Association's model plan of municipal taxation, and of the Mayor's Advisory Commission on Taxation.

Of special significance to real estate interests in this city is Senator Davenport's statement that "real estate is already bearing much more than its share, and it is impossible to depend upon taxation of personal property as an adequate source of revenue, personal property taxation at the existing confiscatory rate having lamentably failed."

According the committee recommends a personal income tax as the core of the proposed system. This will be levied at 2 per cent on all incomes, with exemptions of $1,000 for single persons and $2,000 for married persons, with $200 more for each dependent child. The revenue obtained from this tax is to be shared equally by the state and the municipality where it is collected.

Personal property is to pay a fixed rate of one-half of one per cent on all tangible property in excess of $3,000 worth in any single ownership. Hitherto personalty has been charged at the same rate as realty, but in this state with so many exemptions that but little of it has been taxed at all. It is the belief of many economists that a fixed rate of a half of one per cent will encourage a much wider listing of personalty for taxation and so result in a material increase in the revenue from this source.

The third source from which the committee seeks to realize increased revenue is the incomes of manufacturing and mercantile corporations. As to these incomes the rate is advanced from the present 3 per cent to 4½ per cent.

Bills for these three main sources of revenue were introduced by Senator Davenport in the Senate and by Assemblyman Franklin M. Judson in the Assembly on Friday. They are to be followed by other bills early next week, one of which is to clothe municipalities with authority to levy a business tax or an occupation tax wherever either or both are deemed necessary to supply any possible deficiencies in the local revenue. There may be also one or more bills repealing present exemption of personal property from taxation, but of this feature of the proposed legislation Senator Davenport's statement did not treat.

These bills are the results of nearly three months of diligent and attentive committee work, in dealing with a problem of extraordinary difficulty. Not only have state and municipal expenses grown beyond all precedent, partly as the direct effects of war conditions, but both state and municipality have lost large sources of revenue in the legal prohibition of the manufacture and sale of intoxicating liquors.

Other sources of revenue had to be established to make up for these losses. Unless something in the direction taken had been done there would have been no possible escape from a ruinous increase in the direct tax—the tax on real estate.

The trend of legislation, as indicated by the scores of bills presented in the Legislature, was in the opposite direction, however, the great majority of them having had in view more or less drastic measures for beating the personal property bushes, nobody, not even Controller Travis, having suggested an increase of the tax rate on real estate.

Indeed, the entire discussion from the beginning has been directed to the relief of real property from the disproportionate and unjust strain of taxation of recent years. In this respect the Real Estate Board's bill for a minimum 2 per cent rate and the vigor with which it was pressed upon the Legislature have unquestionably been fruitful of good results. It, at least, served to fix the main purpose of the legislation in view, so that there was no escape from it.

It is too much to expect that everybody will be satisfied with these bills, but fair-minded people in general will agree that the committee has done its work well. The problem was not an easy one, the contentions of extremists, doctrinaires and selfish interests over it being distracting in the extreme, while the small political fry persisted in their endeavors to make partisan capital out of it. There was really danger at one time that party considerations would prevent action of any kind at this session. When on Wednesday, however, United States Senator Calder threw the weight of his advice and opinion into the scales party considerations were swept aside and the committee decided to take the course recommended to it by all the experts consulted.

Tenants May Be Owners of Apartment Houses in Novel Community Planned for Flatbush Section by Old Time Developers

New York is about to see a new and extensive development of the community home idea based on apartment ownership by tenants. This novel idea of having the occupants of apartment suites share in the proprietorship of the houses in which they live or to be "portional" investors in such properties is the newest idea of William E. Harmon, and it is to be worked out on one of the extensive properties owned by Mr. Harmon in the Midwood section of Flatbush.

This development is a work which has been under contemplation for a good many years, and its execution at this time is due, largely to the completion of the two arms of the subway system which will bound the property, one the Brighton Beach extension of the B. R. T.-Broadway subway, and the other the Eastern Parkway-Nostrand Avenue extension of the Interborough subway into Brooklyn.

So extensive are the plans for this great improvement that it can be pictured better than it can be told, and the ideal view presented here tells the story completely. There are to be wide, parked streets bordered by well-built, high-class apartment houses. But perhaps the most interesting feature of the development is a wide belt of land adjoining the apartment houses set aside for pleasurable purposes for tenants. Private parks, tennis courts, children's playgrounds, a club garage and a colony playhouse are a few of the special features to be provided.

To Proceed at Once

Despite the high cost of building and the uncertainties of the building world a start has been made already on the carrying out of this novel scheme, and the future steps in the operation will be watched with more than usual interest.

It is the plan of the owners to sell these houses on the instalment plan at prices based on the gross annual rental multiplied by seven. A "portional purchase plan" has been devised by which investors may become fractional owners in these houses by the purchase of units as low as $1,000. In other words, the idea so successful for many years of selling mortgage certificates to small investors is now to be extended to the sale of actual real estate, and each of the houses erected under the Harmon plan, if successful, eventually will become the property of a group of participating owners.

William E. Harmon & Co. tell a most interesting story about their proposed development.

"The Midwood colony is concededly the most desirable and interesting undeveloped body of land in the Borough of Brooklyn," they say. "It is not only in the heart, but is the heart, of Flatbush's most exclusive residential section. For sixteen years we have held this property off the market against the insistence of friends and the pressure of the public. Our purpose was to wait until this beautiful district took on its permanent character, and then lay out our developments along lines of ultimate attractiveness and utility. The representations of the bird's-eye drawing approximate our ambitions.

Practicability the Test

"It should be understood in the beginning that while our comprehensive programme embraces a large number of community features — features that seem to fit into, simplify, yet enrich the modern scheme of living — only those will be introduced that can stand the test of practicability, while those that fail to meet the demands of business considerations will be disregarded, even though they may be interesting and æsthetically desirable.

"Our general scheme contemplates the improvement and embellishment of all streets, and the parking of Avenue H from Ocean Avenue, near the Brighton Beach uptown Broadway station to Nostrand and Flatbush avenues, the terminus of the Interborough subway. Avenue H thus improved will become the most perfectly appointed avenue for its length in Greater New York. From the centre of the Midwood Colony it is but six minutes' walk to either of the two great subway systems. Along the southerly border of the property against the Long Island Railroad cut will be planted double rows of Lombardy poplars, with a base fence covered with rambler roses and honeysuckle. Avenue H will be bordered on both sides with apartment houses of various designs and floor plans, all built with a view to their value as permanent investments rather than buildings for sale. These apartment houses will range from the highest class near Ocean Avenue, possessing every appointment, to those with more moderate rentals at the Nostrand or Flatbush Avenue end of the property.

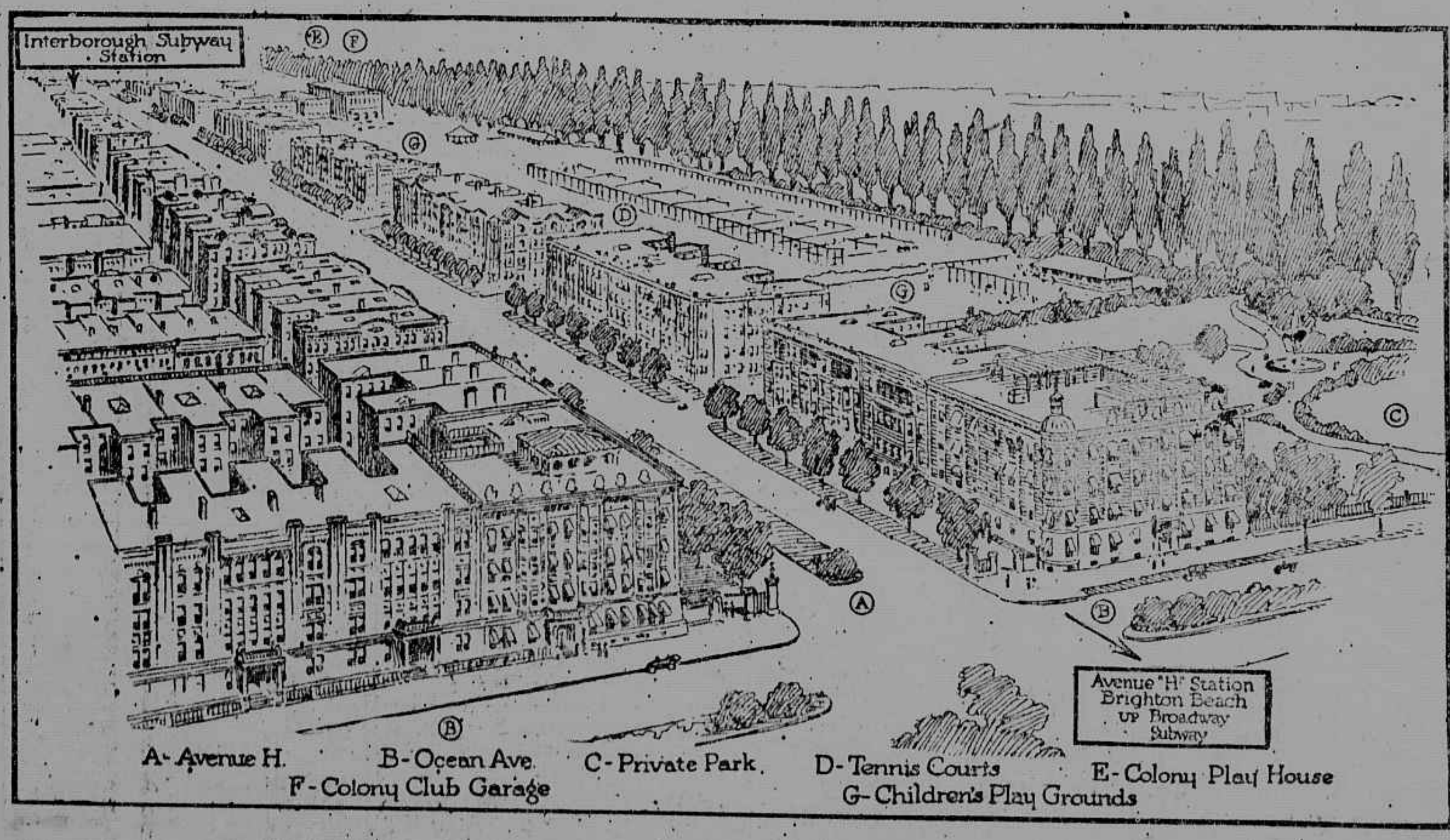
"One of the most attractive features of this development will be the dedication to the use of colony members of all the land between the southerly border of the property and the rear of the line of apartments facing on Avenue H. This is a tract 160 feet in width by over one-half mile in length. This stretch of greensward will be divided into sections, generally corresponding to street blocks, and given over alternately to decorative gardens, small parks, shelter and playgrounds and tennis courts, through the entire expanse of the property, thus giving every member easy access to a recreation ground in his own immediate neighborhood. These parks will not be permanent, but will be the last of the property to be developed. On Bedford Avenue, which bisects the Midwood colony near its centre, it is planned to locate a colony garage, playhouse, market, shops, all artistically built and grouped. It is also planned to meet the modern servant problem, in part at least, by furnishing maid service through the local building superintendents on an hourly basis. As a more or less problematical possibility, it is a plan for meeting the various needs of the community by community buying, laundry, etc.

To Start Five Buildings

"When it is understood that the complete development of the Midwood colony would involve an investment of upward of $10,000,000, our efforts to satisfy tenants and to make our district attractive can be easily understood. The plan for five buildings, involving about $300,000, and the improvement of the first section of Avenue H is about ready for actual work. This will constitute our first unit.

"Conditions of the building and material market are so unstable that it is not considered wise to go further at this time, but, as said before, as rapidly as conditions justify, this plan will be carried out in its effort to approach the perfectly appointed and perfectly conducted city and rural ideal.

"As stated in the beginning, the hard and fixed rules of enlightened business selfishness are back of this whole programme. It is believed that no adventure into a new field of business can be successful unless it meets the requirements of economic logic, and the greatest successes are those which most perfectly conform utilitarianism with imaginative ideals."



Countess Leases Apartment

Countess Saaverdra y Cervantes has leased through Pease & Elliman a furnished apartment at 21 West Fifty-eighth Street. The firm also leased an apartment at 116 East Sixty-third Street to Otis H. Cutler, chairman of the board of directors of the American Brake Shoe and Foundry Company; an apartment, furnished, at 570 Park Avenue to F. L. Richold; an apartment at 215 Madison Avenue to C. A. Pope; an apartment at 88 Central Park West to Theodore Beran, and an apartment at 194 Riverside Drive to Arthur Mees.

Douglas L. Elliman & Co. have leased a large apartment, consisting of fourteen rooms and four baths, at 400 Park Avenue, to Mrs. Walter L. Richard; also an apartment at 123 East Sixty-ninth Street for the Brixton Building Corporation to Mrs. Frederick D. Sherman; an apartment at 122 East Eighty-second Street for David Dows & Co. to Richard Taylor; an apartment at 122 East Seventy-sixth Street for John I. Downey to Maitland Dwight, and an apartment at 274 Madison Avenue for Mrs. Charlotte E. Dunn to Mrs. J. G. Berry.

Another Chanler Estate Deal

The pending sale or lease of another of the large realty holdings of the Chanler estate on the middle West Side is indicated through the formation at Albany Friday of the 445 West Fifty-fifth Street Corporation, with J. H. Richards, A. Allen and A. L. Brown as directors. The estate's ownership at this point consists of a site at the northeast corner of Tenth Avenue and Fifty-fifth Street, 100x185, which extends easterly to the Standard Mail Order Building.

M. G. Shaw Buyer of Dwelling

Pease & Elliman announce that the buyer of 24 West Fifty-fifth Street, a five-story American basement dwelling, between Fifth and Sixth Avenues, which they recently sold for Mrs. Mary G. Quinby, is Munson G. Shaw, of Shaw & Co., 12 Stone Street.

Broadway Loft Reported Sold

The Metropolitan Life Insurance Company is reported to have sold the nine story store and loft building at 565 and 567 Broadway, southwest corner of Prince Street, on a plot 51x100. There is a branch of the Metropolitan Bank in the building. The seller acquired the property in September, 1917.